

October 26, 2022

## Consumer Choice Center: Keeping Bitcoin and its Cryptocurrency Offspring Permissionless and Free in Upcoming Regulation

Dear Senator or Representative,

As consumer advocates, we write to you with both **optimism** and **caution** regarding proposed legislative principles on Bitcoin, its cryptocurrency offspring, and the innovative blockchains, decentralized technologies, and crypto services that have evolved around them.

Since an [estimated](#)<sup>1</sup> 145 million Americans — nearly 56% of U.S. adults — have owned cryptocurrencies, we must iterate that regulations should be based on smart principles that benefit consumers, entrepreneurs, and the country as a whole. There is much at stake in this debate.

Many crypto and financial lobbyists, industry CEOs, and noted wealthy investors have had regulators' ears on very targeted concerns, and [if reports are to be believed](#)<sup>2</sup>, their suggestions carry significant weight with your fellow members.

The nearly dozen cryptocurrency bills filed thus far in the 117th Congress, including the most recent *Digital Commodities Consumer Protection Act*, speak to this but also demonstrate the growing appetite for transparent and fair rules to keep the crypto sector innovative, free, and accessible for millions.

However, users of decentralized technologies do not need an industry approach to regulation. Regulations exist to set the rules of the game, not to chart the leaders of the game.

The main caution we invoke is that many proposed regulations aim to cement existing industry players and lockout innovative upstarts, while at the same time requiring the same restrictive rules that caused many people to explore cryptocurrencies in the first place.

Recent comments and suggestions by FTX CEO and [noted Democratic Party fundraiser](#)<sup>3</sup> and megadonor Sam Bankman-Fried, especially, leave us [concerned](#)<sup>4</sup>.

If rules on crypto and its customers help solidify the financial portfolios, positions, and stock prices of only a select few companies, this will drive innovation away from American shores.

While many proposals [laid out](#)<sup>5</sup> by Mr. Bankman-Fried do address consumer needs — especially as it relates to hacks, scams, and protection of funds — his recommendations for a highly licensed regime on all sides of digital transactions, especially Decentralized Finance (DeFi), go against the spirit of why cryptocurrencies were created in the first place.

As should be known, Mr. Bankman-Fried was a [primary protagonist](#)<sup>6</sup> in the folding of crypto platforms and hedge funds like Celsius Network, Voyager, and Three Arrows Capital, deploying a [proverbial \\$1 billion parachute](#)<sup>7</sup> to scoop up failing firms, prop up those facing insolvency and flirt with acquisitions worth hundreds of millions.

<sup>1</sup> "Study: Over 46 Million Americans Likely to Buy Crypto in the Next Year", June 2022, [fool.com](#).

<sup>2</sup> "Crypto industry wields its influence in Washington after pouring over \$30 million into campaigns", May 2022, [cnbc.com](#).

<sup>3</sup> "Sam Bankman-Fried to Spend Up to \$1B on Donations for 2024 US Elections", May 2022, [decrypt.co](#).

<sup>4</sup> "Erik Voorhees: A Response to SBF and Principled Crypto Regulation", October 2022, [moneyandstate.com](#).

<sup>5</sup> "FTX: Possible Digital Asset Industry Standards", October 2022, [fxpolicy.org](#).

<sup>6</sup> "The Hold on the Trillion-Dollar Crypto Trade Leaves It Vulnerable", September 2022, [insidesources.com](#).

<sup>7</sup> "Sam Bankman-Fried Turns \$2 Trillion Crypto Rout Into Buying Opportunity", July 2022, [bloomberg.com](#).





In many proposals, the deference given to the Office of Foreign Assets Control (OFAC), with an ability to censor, block, and blacklist certain transactions or addresses, without appropriate judicial procedures, is especially concerning. While self-regulation here is appropriate and necessary, the legislative mandate advocated by some would treat all cryptocurrency users as guilty until proven innocent.

We strongly believe that regulations of cryptocurrency and participating firms should be financial in nature, with the goal of protecting consumers and safeguarding innovation. Requiring specific sanction compliance, money laundering, or criminal activity should be addressed in appropriate criminal law statutes rather than preliminary laws meant to benefit consumers and grow commerce.

As [we have seen](#)<sup>8</sup> with previous hacks, disclosures, and breaches, the personal information collected by brokerages and firms for the purpose of complying with existing KYC/AML regulations (Know Your Customer/Anti-Money Laundering), if not secured, can lead to more harm and avenues for exploitation for innocent consumers than any criminal actors. A targeted approach is required.

What's more, well-capitalized companies will be the only firms financially able to comply with such burdensome rules, putting new innovators at a disadvantage while protecting existing big actors.

We should remember the aim of cryptographic digital assets and decentralized digital cash, since the founding of Bitcoin in 2008 by Satoshi Nakamoto, has centered on creating permissionless, peer-to-peer transactions offering final settlement in a decentralized manner.

Rather than the approaches of several self-interested industry leaders, consumers deserve regulation on cryptocurrencies and digital firms that enforce existing rules on fraud (known as "rug pulls"), remain technologically neutral, offer reasonable and minimal taxation, and provide legal transparency.

It would benefit us all if future rules help empower consumers and the firms they interact with, punish fraud, abuse, and insider trading, and provide financial transparency.

The whims of a select few industry players, however successful they may be, cannot be the guiding light for the future of decentralized digital money.

The **Consumer Choice Center** has created a policy primer on [Principles for Smart Cryptocurrency Regulations](#)<sup>9</sup> that highlight these concerns. We hope you take them to heart before committing to final legislation.

Sincerely yours,

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<sup>8</sup> "NFT Platform OpenSea Joins Long List of Crypto Data Breach Victims", June 2022, [decrypto.co](#)

<sup>9</sup> "Principles for Smart Cryptocurrency Regulations," September 2021, [consumerchoicecenter.org](#)

